



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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COMMISSION DENIES INVESTMENT ADVISER APPLICATION, PENALIZES OTHERS FOR UNREGISTERED SECURITIES SALES

PHOENIX – The Arizona Corporation Commission today denied the investment adviser application of a Phoenix company after learning its sole principal was sentenced to five months in county jail on multiple felonies, including identity theft and forgery. The Commission also entered into multiple consent orders with companies and individuals who offered and sold unregistered securities without being registered in Arizona. In total, the Commission imposed \$25,000 in penalties and required the return of \$87,000 to investors.

Arkad Investment Services, Inc.

The Commission denied the investment adviser application of Phoenix-based Arkad Investment Services, Inc., due to multiple felony convictions of its president, 50-year-old David Medansky.

In September 2004, the Commission's Securities Division received notice through the Investment Advisory Registration Depository (IARD) that Arkad Investment Services sought an Arizona investment adviser license. The IARD is a central database maintained by the National Association of Securities Dealers (NASD) and is used by state and federal securities regulators for the registration and licensing of investment advisers.

In its investment adviser application, Arkad Investment Services disclosed a Maricopa County grand jury indictment against Medansky. The Commission's Securities Division responded with a deficiency letter and a request for court documents related to Medansky's indictment.

In November 2004, the Division received notification through the IARD system that Arkad Investment

Services had requested to be registered as a federal investment adviser with the U.S. Securities and Exchange Commission (SEC). The SEC conditionally approved Arkad Investment Services' investor adviser application, but Arkad Investment Services withdrew its SEC investment adviser registration after Medansky entered a guilty plea. In February 2005, Medansky pled guilty in Maricopa County Superior Court to *taking the identity of another*, a class 4 felony, and to *theft*, a class 3 felony.

Medansky is currently serving a five-month sentence at the Maricopa County Jail. Upon release, he is required to complete four years of supervised probation.

As with all final orders involving fraud or misconduct, this order will be entered into a national database to signal to other states that Arizona denied Arkad's application for an investment adviser license.

Worldwide Forex, Inc. and Universal FX, Inc.

Before any Arizona investors risked their money, the Commission took a proactive step to stop two firms from selling unregistered securities in Arizona. One phone call and some subsequent faxes rang up a \$5,000 penalty for two Florida-based corporations, Worldwide Forex, Inc., and Universal FX, Inc., after a telemarketer attempted to sell unregistered securities to an Arizona Corporation Commission employee.

In July 2003, a salesman from Worldwide Forex telephoned a Commission employee, soliciting his investment in a foreign currency trading transaction, which would be conducted in an account with Universal FX, Inc. The salesman faxed various documents that were supposedly necessary to open the investment account for the Commission employee. The Commission employee subsequently confirmed that neither company was registered to offer or sell securities in Arizona.

The companies consented to a Commission order and paid a \$5,000 penalty for offering unregistered foreign currency investment contracts while not registered as an Arizona securities dealer. Universal FX, Inc. was registered with the National Futures Association as a Futures Commission Merchant.

Since the Commission's Securities Division has no record of any Arizona customers, restitution was not ordered in this case. The total penalty amount of \$5,000 was paid in full.

Steven Lee Hutchinson

Phoenix insurance agent and investment adviser representative, 41-year-old Steven Lee Hutchinson, consented to a Commission order requiring the return of \$87,000 to investors and the payment of a \$20,000 penalty for offering and selling an unregistered stock purchase investment. Although he was previously registered to offer and sell securities, Hutchinson was not registered as a securities salesman during the promotion and sale of this investment. Hutchinson agreed to the order without admitting or denying the Commission's findings.

The Commission found that throughout 1998, Hutchinson offered and sold the rights to purchase future stock in Aleph Group, Ltd., a Cayman Island corporation that used a patented process to remediate contaminated soil. Hutchinson offered and sold the investment to at least nine investors, most of whom were Arizona retirees. These individuals were either his professional colleagues or insurance clients and paid approximately \$455,000 for the right to receive the stock in the future, when issued.

Hutchinson obtained \$87,000 in referral fees for his participation in the investment sales. Under the Commission's order, Hutchinson must return the total referral fee amount by February 2006. If he complies, the Commission will reduce his penalty to \$10,000. If Hutchinson defaults in payment, the entire restitution amount is immediately due and the Commission may revoke his investment adviser representative license without further notice or opportunity for hearing.

Caution for Investors

Entrusting your money with someone for investment purposes, while expecting a profit through the efforts of others, may involve a security and sales agents/dealers subject to registration. **VERIFY BEFORE YOU BUY!** Call the Securities Division, (602) 542-4242, toll free (866) VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov.

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